

United States Courts
Southern District of Texas
FILED

March 22, 2023

Nathan Ochsner, Clerk of Court

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

UNITED STATES OF AMERICA

v.

**MARTIN SKOLNIK
Defendant.**

CRIMINAL NO.

4:23-cr-119

INFORMATION

The United States Attorney charges that:

INTRODUCTION

1. MARTIN SKOLNIK owned and operated Spartan Metals, Inc. (“Spartan”), a company that bought and resold scrap metal, for more than 30 years. SKOLNIK resided in and operated Spartan from Houston, Texas, within the Southern District of Texas.

2. SKOLNIK elected for Spartan to be treated as an S Corporation for tax purposes, and he was Spartan’s sole shareholder. An S Corporation’s net business income, as reported on the Form 1120S, was determined by subtracting its total deductions from its total income. Pursuant to Internal Revenue Service (IRS) regulations, an S Corporation did not incur any tax liability for any net business income it may have earned during a given tax year. Instead, the owner of the S Corporation was required to report such net business income on their U.S. Individual

Income Tax Return, Form 1040. Accordingly, any net business income reported by SKOLNIK on Spartan's Form 1120S was required to be reported on his Form 1040.

3. The IRS was an agency of the United States Department of the Treasury responsible for administering the tax laws of the United States and collecting taxes owed to the United States.

4. During tax years 2014 through 2017, SKOLNIK directed purchasers of scrap metal from Spartan to wire payments to his personal bank account rather than to Spartan's business bank account. SKOLNIK did not record the payments for scrap metal directed to his personal bank account as income in Spartan's QuickBooks records.

5. For tax years 2014 through 2017, SKOLNIK provided an accountant with Spartan's QuickBooks records for each tax year. Knowing that these QuickBooks records did not reflect Spartan's total income, SKOLNIK nonetheless directed the accountant to prepare IRS Forms 1120S for Spartan using the false QuickBooks records. For tax years 2014 through 2017, Spartan's corporate tax returns (Forms 1120S) underreported more than \$2.3 million of gross income to the company.

COUNT ONE

6. The allegations in paragraphs 1 through 5 are realleged and incorporated by reference as though fully set forth herein.

7. On or about August 15, 2016, within the Southern District of Texas, the defendant,

MARTIN SKOLNIK,

did willfully make, subscribe, and file with the IRS a false Form 1120S for Spartan Metals, Inc., for tax year 2015, which was verified by a written declaration that it was made under penalty of perjury, and which was not true and correct as to every material matter. That tax return reported Spartan's total gross receipts as \$3,476,415 on Line 1A, whereas SKOLNIK knew that amount was false and under reported gross receipts.

All in violation of Title 26, United States Code, Section 7206(1).

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